



RAFFLE

GUIDE



Printed under the authority of Act 382 of the Public Acts of 1972, as amended.

BSL-CG-1824 (04/02)

Table of Contents

Introduction.....	Page 3
What is a Raffle?.....	Page 3
Who Can Conduct a Raffle?.....	Page 3
Raffles That Need a License.....	Page 3
Raffles That Don't Need a License.....	Page 4
Raffle Tickets.....	Page 5
Raffle Ticket Sellers.....	Page 6
Raffle Ticket Seller's Incentive Prizes.....	Page 6
Accountability.....	Page 6
House Rules.....	Page 7
Advertising Raffles.....	Page 7
Alternative Styles of Raffles.....	Page 7
Daily 3/Daily 4.....	Page 7
Duck Race.....	Page 8
Animal.....	Page 8
Awarding Raffle Prizes.....	Page 9
Taxes on Raffle Prizes.....	Page 9
Reporting Requirements.....	Page 10
Record Retention.....	Page 10
Changing Raffle Drawing Dates and Disclaimer.....	Page 10

Introduction

This guide is to assist nonprofit organizations in understanding raffles, determining when a raffle requires a license, and when, on a limited basis, a raffle can be conducted without a license. It also provides information regarding the conduct of raffles and some alternative styles of raffles.

It is imperative to read and become familiar with the Raffle Rules. Remember, this is only a guide and many items in the rules are not covered in this guide.

What is a Raffle?

If you are charging people or requiring them to donate or provide something of value to participate in a drawing where a prize will be awarded, then you are conducting a raffle.

Raffles conducted under the authority of Act 382 of the Public Acts of 1972, as amended, (Act) are defined in Section 101(1)(e) of the Charitable Gaming Rules as: "...an event for which raffle tickets are sold, a winner or winners are determined, either by randomly selecting stubs from all of the raffle tickets sold for an event or by an alternative method that is approved by the bureau, and at which a preannounced prize is awarded."

Common misconceptions

"We are only giving away door prizes; we aren't conducting a raffle." If people are being charged to attend a function where (door) prizes will be awarded through a drawing, then you are conducting a raffle.

"We are conducting a 50/50, not a raffle." Contrary to many people's opinion, 50/50 drawings are raffles.

Who Can Conduct a Raffle?

The Act only allows certain nonprofit organizations that are qualified to conduct raffles.

If your organization has never had a charitable gaming license, you need to submit qualification information to our office first. Check out Qualification Requirements on our Web site at www.michigan.gov/cg or call 517-335-1159 to find out more.

Raffles That Need a License

NOTE: Almost all raffles conducted in the state of Michigan need to be licensed.

To obtain an application for a raffle license, raffle rules, or raffle game records, go to our Web site at www.michigan.gov/cg or call our forms request line at 517-241-7889.

There are two different types of raffle licenses, small and large.

A Small Raffle License is required when the total prize value *of all raffle prizes* will not exceed \$500 in a single day. The cost is \$15 for 1, 2, or 3 drawing dates, then \$5 for each additional drawing date. All drawing locations must be the same.

A Large Raffle License is required when the total prize value *of all raffle prizes* will exceed \$500 in a single day. The cost is \$50 per drawing date.

An organization can apply for as many raffle licenses as they want. We allow you to apply for raffle licenses up to 18 months in advance of the drawing date in order to allow you ample time to sell tickets.

Always plan ahead and submit your application no less than 4 weeks prior to the time you want to print tickets or start advertising the event.

Raffles That Don't Need a License

The Act allows qualified nonprofit organizations to conduct limited small raffles without obtaining a license. Section 5d(4) of the Act states: "A qualified organization is excused from the requirements of obtaining a license under this act if the qualified organization is sponsoring a single gathering and conducts a raffle before which there is no presale of tickets and the total aggregate retail value of the prize or prizes to be awarded that day is \$100.00 or less."

What does this mean?

A qualified organization can conduct a raffle without a license if the following three criteria are met:

1. The raffle will be conducted at that organization's single gathering. The Act defines single gathering in Section 3a(14) as: "...1 scheduled assembly or meeting with a specific beginning and ending time that is conducted or sponsored by the qualified organization. Single gathering does not include the regular operating hours of a club or similar facility and does not include a meeting conducted solely for the purpose of conducting a raffle."
2. No tickets for the raffle will be sold before the scheduled beginning time of the gathering.
3. The total value of ALL raffle prizes awarded at the gathering will not exceed \$100.

If all these criteria are not met, then you need a license.

Common misconceptions

"Our church has a Friday night fish fry. Can the Men's Club conduct an exempt raffle at the fish fry?" No, although this is a single gathering, it is not conducted or sponsored by the Men's Club. This example would require a raffle license.

“Our club is open from 8 a.m. to 2 a.m. Can we conduct a 50/50 raffle at the bar each day?” No, the operating hours of the club do not constitute a single gathering. This example would require a raffle license.

“At our high school’s basketball game, the high school conducts several 50/50 raffles. Each drawing does not exceed \$100. Are they exempt raffles?” Only if the total value of all prizes awarded during the entire day does not exceed \$100. This example would require a raffle license if the total of all prizes exceeds \$100.

Raffle Tickets

Tickets used in a licensed raffle, except those used for in-house raffles (see below), must contain specific information. Raffle Rule 506 requires that each ticket contain at a minimum the following information printed in a clear and legible manner:

- The name of the licensee. Only the licensee can be listed as the sponsor of the raffle.
- The license number.
- The word “raffle.”
- The date, time, and location of the drawing.
- The price of the raffle ticket.
- A unique sequential identification number on the raffle ticket and ticket stub.
- The top prize or other information as directed by the bureau.
- The stub of the ticket retained by the licensee shall contain a space for the purchaser's name, address, and phone number.

Raffle tickets may contain other information as long as it does not conflict with these requirements. Some commonly accepted items are: “Tickets compliments of...”, “Proceeds to benefit...”, “Support provided by...”, and coupons for discounts at local merchants. If you have a question about what you can print on your raffle ticket, call us at 517-335-1159.

Raffle Ticket Prohibitions

The rules specifically prohibit the use of the terms “lotto” or “lottery” on raffle tickets. Also, a raffle ticket shall not be used that requires the removal of a covering material to determine if a ticket is a winner or is eligible to be a winner, (e.g., pulltabs, break-open tickets, scratch-offs, etc.).

In-house Raffles

If a licensee is conducting a raffle where raffle tickets will be sold only at the raffle location during the time listed on the license, they are not required to comply with the raffle ticket content requirements of Raffle Rule 506. This means that roll-type theater tickets or some other type of ticket can be used.

Raffle Ticket Sellers

Raffle ticket sellers must be 18 years of age or older. Children are not allowed to sell raffle tickets. Raffle ticket sellers do not need to be members of the organization.

Raffle ticket sellers cannot be compensated for selling tickets, except by way of a raffle ticket seller's incentive prize.

Raffle Ticket Seller's Incentive Prizes

A raffle ticket seller's incentive prize may be used to increase ticket sales. An incentive prize, cash or merchandise, may be awarded three different ways:

- A prize may either be awarded to the top ticket seller or sellers; or
- If the ticket stub contains a space for the ticket seller's name, a prize may be awarded to the seller or sellers of the winning ticket(s); or
- If the ticket stub contains a space for the ticket seller's name, a prize may be awarded by conducting a drawing of the tickets sold.

Under no circumstances, can a ticket seller be awarded a ticket to the raffle for which they are selling tickets as an incentive to sell tickets.

Accountability

Raffle Rule 519 requires the licensee to be accountable for all raffle tickets, cash, and prizes.

Raffle Tickets

When raffle tickets are distributed to sellers a record must be made. All stubs and unsold tickets must be returned and recorded on the Raffle Ticket Accountability form BSL-CG-1365. The number of ticket stubs and unsold tickets needs to equal the number of tickets originally given to each seller.

If you discount the price of raffle tickets, it makes the job of accounting for them more difficult. If you intend to discount tickets, e.g., six for \$5, rather than \$1 each, then you must account for the discounted tickets separately from the single price tickets.

The Raffle Ticket Accountability form is provided with each license to assist in accounting for all raffle tickets. It is also available on our Web site at www.michigan.gov/cg. This form must be completed and maintained with your game records.

Cash

When raffle ticket sellers return ticket stubs, they are responsible for returning cash or checks equal to the value of ticket stubs. The licensee must be able to account for all monies until deposited in the licensee's bank account.

Prizes

The licensee is responsible for assuring that all prizes, whether cash or merchandise, are available to be awarded to the winners of the raffle.

House Rules

The organization conducting the raffle shall establish and adhere to house rules for the conduct of their raffle. The organization shall either post the house rules at the raffle or have them available in sufficient quantity to distribute to all interested persons. To see what is required refer to Raffle Rule 510(1), which addresses house rules.

Advertising Raffles

A raffle can be advertised by any legal means, but only by the organization conducting the raffle. Raffle advertisements can contain just about anything, but must contain at a minimum the name of the licensee, the license number, and the purpose for which the net proceeds will be used. All advertising costs must be reasonable.

Alternative Styles of Raffles

The winners of raffles are normally determined by pulling a ticket stub from the pool of all tickets sold, but the Charitable Gaming Rules also allow an organization to determine the winner of a raffle by an alternative method that has been approved by the bureau.

NOTE: *If the alternative method to determine the winner cannot be conducted as planned, the winners shall be determined by a traditional raffle drawing on the scheduled date and time.*

The following alternative styles of raffles have been approved:

Daily 3/Daily 4 Raffle

The Lottery conducts two drawings each day for the Daily 3 and Daily 4 lottery games. Some organizations use these drawings to determine the winners of their raffles. We suggest that you use the Daily 3, not the Daily 4. The Daily 3 only requires you to sell a maximum of 1,000 tickets. The Daily 4 requires up to 10,000 tickets be sold.

Requirements:

- The tickets must indicate whether the raffle will be utilizing the midday or evening drawing.
- Since the possibility exists that your organization will be unable to sell all of the tickets, the raffle ticket must include the following disclaimer: "If the raffle ticket for the daily number has not been sold, a drawing from the pool of raffle tickets stubs for the tickets sold will take place at (specify location) between [(1 p.m. –1:30 p.m.) or (7:30 p.m. – 8 p.m.)] the same day."
- There shall be no multiple winners on the same combination of numbers.
- Ticket purchasers cannot choose their numbers; all numbers must be randomly assigned.
- The prize(s) stated must be awarded; no prize can revert to the licensee.
- Use of the term "lotto" or "lottery" on the tickets is prohibited.

Duck Race Raffle

As the name suggests, flexible plastic or rubber ducks are used to determine the winners. The ducks are placed in a waterway and the first duck across the finish line is declared the winner.

Requirements:

- The waterway must be relatively free of obstructions.
- No one is allowed to touch, hinder, or assist the ducks while they are in the waterway.
- Prior to the start, the ducks must be held behind a barrier or they must be dropped into the waterway all at the same time.
- The ducks must be unbreakable, unsinkable, and the same size and weight.
- The finish line must be a chute or some other entrapment device that traps the ducks, one at a time, in the order of finish. Under no circumstance can the winner be determined by an individual watching the ducks cross the finish line.
- Each duck must be marked with a number in waterproof ink, which corresponds with the number on each of the raffle tickets sold.

Animal Raffle

Animal raffles, commonly referred to as cow-plop, cow-drop, chicken-drop, etc., utilize a pen or fenced off area with a pre-drawn grid and an animal, whose droppings mark a square that assist in determining the winner(s) of the raffle.

Requirements:

- A grid shall be drawn representing each square in the enclosure.
- The number of raffle tickets sold must be equal to or greater than the number of squares in the enclosure.
- Tickets and/or ticket numbers shall not be assigned to squares until after the animal has completed its portion of the event.
- When the animal is finished, the winning square(s) shall be identified and transferred to the grid.
- Tickets shall be drawn one at a time and assigned to a square on the grid, starting in the upper left and going left to right, one line at a time, until the winning square(s) have been assigned a ticket and all prizes awarded.

Awarding Raffle Prizes

The winner or winners of a raffle shall be selected on a random basis and all participants shall be afforded an equal opportunity to win . All raffle prizes must be awarded; no raffle prize can revert to the organization conducting the raffle.

If a prize is unclaimed, the winner refuses to accept the prize, or the winner cannot be located, the prize must be disposed of in accordance with Raffle Rule 515(5) that states:

“Any prize not claimed or for which the winner cannot be located within 60 days from the date of the drawing, shall be distributed in accordance with one of the following methods:

(a) The licensee shall conduct another raffle [*drawing*]* using the original pool of ticket stubs.

(b) With prior [*written*]* approval of the bureau, the licensee shall donate the prizes to a nonprofit organization with a charitable purpose as prescribed by R432.21101(1)(b).”

*Clarification added.

Taxes on Raffle Prizes

Section 11 of the Act states: “State or local taxes of any kind shall not be imposed upon a recipient of a prize, whether merchandise or money, awarded by a licensee during an event conducted in conformity with this act.” However, if you are awarding a vehicle titled by the Secretary of State, contact their office to assure that the transfer is done in accordance with their rules.

Federal taxes may apply to raffle prizes. You should contact the Internal Revenue Service at (877) 829-5500 to determine how federal taxes may affect your organization or the recipient of the prize.

Reporting Requirements

Only large raffle licensees are required to submit a financial statement. This financial statement must be submitted by the 10th day of the month following the month in which the raffle was held. Failure to submit this statement will prevent the issuance of future licenses. A financial statement will be included in the envelope in which your license is mailed. This form can also be obtained from our Web site at www.michigan.gov/cg or call our forms request line at 517-241-7889.

Record Retention

Raffle game records must be maintained for the current year plus three years. A list of winners of prizes valued at \$100 or more must be retained and made available to the public upon written request. Raffle ticket stubs must be retained until all prizes have been awarded.

Changing Raffle Drawing Dates and Disclaimer

To change the location, date, or time of a raffle the licensee shall submit a request for the change to the Bureau in writing at least 20 days before the drawing date.

If tickets have been sold the licensee will be required to notify all of the ticket holders of the change.

A date change will not be granted based solely on poor ticket sales. To protect your organization from a major financial setback in the event ticket sales are less than expected, tickets for raffles awarding high value prizes should include a disclaimer that the raffle will revert to a 50/50 drawing if ticket sales fail to reach a predetermined level. We recommend a statement similar to the following:

“If less than (indicate number) tickets are sold prior to the date of the raffle, the drawing will revert to a 50/50 raffle with a minimum prize of \$(indicate dollar amount) awarded.”